

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No.: DTE-RR-42

Refer to DTE 98-51, Line 24 in Schedule 23 of Exhibit FGE-LMB-2. Please explain why the company labeled this amount as improvement to leased service center, which differs from the presentation of MHC-8 in this docket, DTE 02-24/25.

Response:

In DTE 98-51, Line 24 in Schedule 23 of Exhibit FGE-LMB-2, the accounts 390.1 – Capitalized Leases and 390.2 Improvements to Leased Service Center were combined into one line item totaling \$1,126,938. Review of available documentation from DTE 98-51 indicates that the two sub-accounts were combined to simplify schedule presentation, with the title of one of the sub-accounts used inadvertently to describe the combination. The amounts of these two sub-accounts included in rate base in DTE 98-51 are as follows:

	<u>1997</u>	<u>Allocation</u> <u>to Gas</u>	<u>Gas Division</u>
390.1 – Capitalized Leases	\$2,629,745	35.6%	\$ 936,189
390.2 – Leasehold Improvements	<u>\$ 535,811</u>	35.6%	<u>\$ 109,749</u>
Total	\$3,165,556		\$1,126.938

In addition to Rate Base including the above Capitalized Lease account, the test year cost of service in DTE 98-51 included a reduction of approximately \$148,000 in O&M Expenses, reflecting a reclassification from rent expense to below the line interest expense related to the capitalized leases. The combined impact of this capitalized lease treatment for ratemaking was a decrease in the revenue requirement of approximately \$28,000 compared to what the revenue requirement would have been had the lease been treated as an operating lease for ratemaking purposes.

Person Responsible: Mark H. Collin